

The Political Roots of Economic Disparity

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In their engaging and well-written book, Daron Acemoglu and James Robinson tackle the question of why great differences in world prosperity exist. Providing readers with an impressive array of evidence, the authors provide a simple answer. Their answer is illustrated in the book's opening story of the twin towns of Nogales—one located in the United States (Arizona), the other in Mexico (Sonora)—separated by a fence. The American town experiences excellent government services, steady economic growth, and effective rule of law; the Mexican town struggles in all these areas. What explains the difference? The authors find the standard answers unsatisfactory, namely, geography, culture, or inadequate economic policies. The only response that withstands criticism is the one that includes the potency of institutions.

More specifically, the authors argue that modern levels of prosperity rest on inclusive economic and political institutions, and that while economic institutions create the opportunity for economic prosperity, "...it is politics and political institutions that determine what economic institutions a country has" (p. 43). Countries that are rich today have inclusive political institutions (i.e. they are pluralistic and centralized) which support inclusive economic institutions "that enforce property rights, create a level playing field, and encourage investments in new technologies and skills that are more conducive to economic growth" (p. 429). In contrast, countries that are poor today suffer from political institutions ruled by absolutist elites who maintain extractive economic institutions to cement their hold on power at the expense of citizens.

But how and why do inclusive institutions arise? Why was Great Britain the first country to experience inclusive economic and political institutions? Why did so many countries in Western Europe embrace inclusive institutions while many countries in sub-Saharan Africa, Latin America or South Asia did not? To answer these questions, Acemoglu and Robinson rely on the "second level" of their theory. Major institutional change of the sort that sustains economic growth, they argue, is the result of "the interaction between existing institutions" (p. 431), key historical events (dubbed critical junctures) and contingency (described within the process of institutional drift). The progressive political institutions that sometimes result are synergistically linked to inclusive economic

institutions in a virtuous circle while the existence of exclusive political institutions relate synergistically to extractive economic institutions in a vicious circle. These cycles, once started, are difficult to break.

For example, factors like a weakened Crown and the rise of a strong, broad coalition of anti-absolutists in England in the mid-1600s were “a consequence of the drift in English institutions and the way they interacted with critical junctures” (p. 209), like the Black Death and the Atlantic trade period, that ushered in the Glorious Revolution of 1688. This Revolution established a constitutional monarchy that created the inclusive economic institutions of the Industrial Revolution. In contrast, many countries in sub-Saharan Africa, already suffering under decentralization and absolutism during pre-colonial times, experienced the slave trade and European colonialism, forces that only emboldened extractive institutions.

The book contains two main strengths. First, the authors courageously address a development question that demands theoretical explanation and metanarrative. Although a good number of scholars have taken on this task over the last decade or so (Diamond, 1997; Harrison and Huntington, 2000; Sachs, 2005), it is still far more common to tackle the micro issues in development. Engaging in field work, interviews, or regression models on any angle related to “small picture” dilemmas (for example, how a community in Masvingo, Zimbabwe might obtain all the ARTs it needs) can lead to interesting and intriguing results, but whether or not this work will help scholars or practitioners understand the broader issues of inequality in development is doubtful. As the authors themselves state, “This inequality doesn’t just have consequences for the lives of individual people in poor countries; it also causes [worldwide] grievances and resentment” (p. 41). Acemoglu and Robinson take on this seemingly intractable dilemma and address it with balance, fair-mindedness, and even hope, all in an effort to generate “better ideas about how to improve the lives of billions who still live in poverty” (p. 41).

Second, Acemoglu and Robinson provide readers with a cogent thesis that is far less deterministic than many who have written on the topic (Diamond, 1997; Harrison and Huntington, 2000). The authors point to the importance of institutions, particularly political ones, as the root cause of development or lack thereof, but they also highlight the important role of history and contingency. The development trajectories of countries, then, are not pre-determined, for if inclusive institutions are embraced, the future can be brighter.

It is important to point out that the metanarrative orienting this book as well as its emphasis on institutions, particularly political ones, are foci

Christian scholars have downplayed. Reasons why range from practical circumstances related to the training and resources of Christian scholars vis-à-vis mainstream scholars to theological and biblical narratives that have traditionally discarded political institutions as “outside the orbit of redemption.” And yet, biblical “understandings of the human person, the character of community, our relationship to the natural world, and the overall meaning of human development” (Hoksbergen, Curry and Kuperus, 2009, p. 28) must lead Christian scholars to not only critique theories of development, but to be engaged in the devising of new theories as well, based, in part, on the insights provided in books such as *Why Nations Fail*. If devising theories is too ambitious a task, Christian control beliefs and mainstream theories can, at the very least, influence on-the-ground strategies directed toward building inclusive political institutions.¹ That said, *Why Nations Fail* provides less insight than one might expect regarding the building of inclusive institutions for reasons related to the book’s weaknesses.

It could be argued that the book’s most striking weakness is its lack of originality. Numerous scholars in the past have presented arguments stating that institutions are the linchpin to development (Huntington, 1968; Jackson and Rosberg, 1984; Fukuyama 2004). Moreover, some of the specific arguments made by Acemoglu and Robinson related to the persistence of extractive institutions (i.e., elites maintain extractive institutions intentionally, not mistakenly) have also been addressed with considerable clarity by others (Chabal and Daloz, 1999). But perhaps this criticism is unfair. A closer look at Acemoglu and Robinson’s other scholarship shows an awareness of this literature. The contribution of this book, then, is not uniqueness of scholarship; rather, *Why Nations Fail* introduces to a general audience the specific arguments about how institutions relate to development—something that has not been done to date.

If we can overlook the book’s lack of originality, one of the weaknesses that cannot be dismissed easily is its lack of conceptual clarity.² Concepts are often ambiguously or inaccurately defined. For example, Acemoglu and Robinson’s definition of political centralization is more accurately understood as state capacity in the political science literature (Fukuyama, 2004, p.7). Or, take Acemoglu and Robinson’s exceedingly vague definition of inclusive political institutions. It is used to refer to present day American political institutions that grant considerable civil and political rights to all U.S. citizens as well as the American political institutions that were in place in the 1720s (p. 28), even though in the latter case voting rights were

restricted to white males who owned property!

Clear definitions of key terms could have strengthened the authors' arguments. For example, defining key terminology distinctly (extractive institutions, pluralistic institutions) and linking them with basic concepts like clientelism, rule of law, personalism, and state capacity could have placed the authors' arguments within an existing body of scholarship that examines broader trends related to democratic transitions, regime transitions, or political development (Bratton and van de Walle, 1997; O'Donnell and Schmitter, 1986)—trends which help scholars and policy makers both understand and build institutional capacity .

Problems with conceptual clarity are compounded by the authors' selective presentation of historical evidence. Although Acemoglu and Robinson, two highly regarded development scholars, can be commended for covering a broad historical landscape from medieval Europe to modern Zimbabwe, one also wonders what is being left out of the story-telling. Is the evidence, at times, being selected to fit the argument?

For example, the authors contrast successful Botswana with failed Zimbabwe. These two country's development paths fall in line perfectly with the book's thesis. "Botswana broke the mold because it was able to seize a critical juncture, postcolonial independence, and set up inclusive institutions ... No less important, the contingent path of history worked in Botswana's favor" (p. 413). Zimbabwe, in contrast, never had a history of pluralistic, centralized political institutions; therefore, it was unable to respond to the critical junction of postcolonial independence with inclusive institutional change. Instead, Mugabe simply took over the set of extractive institutions created by white settlers and manipulated them to his advantage.

But are these stories so simple? Important information is left out that might actually change the book's emphasis. The authors continuously dismiss the geography hypothesis, but it is worth examining how the resource base played a role in Botswana's and Zimbabwe's outcome. The British government, as the authors point out, had no vested interest in Botswana, formerly known as Bechuanaland. Why was this the case? Could Great Britain have had a lighter hold on Bechuanaland due to the dearth of resources in Bechuanaland, namely, endless deserts, the lack of arable land, and the absence of obvious resources to exploit? This, in contrast to Rhodesia/Zimbabwe, a country in which white settlers, having far more to lose if they ceded control, invested in agriculture by seizing the arable land in Rhodesia's central plateau. So the specific nature of colonialism and natural resources in each country *could* explain the

development stories of Botswana and Zimbabwe just as well as Acemoglu and Robinson's institutional explanation.

While the latter point is certainly worth examining in more detail, the more disturbing "sin of omission" occurs when Acemoglu and Robinson present the institutional "success" and "failure" of Botswana and Zimbabwe in an oversimplified manner. Zimbabwe's post-independence political and economic history is compressed to four paragraphs on pages 370-71. The reader is left with the sense that Zimbabwe's embrace of extractive political and economic institutions was inevitable, when it was actually not the case. For the first fifteen years of Zimbabwe's post-independence period, there was some semblance of pluralism (for example, a relatively free press and an active civil society) and a modicum of centralization (for example, efficient advances by the state in providing expanded educational opportunities and effective health care advances), analyzed in Kuperus (1999). It was only after deep economic decline, beginning in the late 1990s, due in large part to consequences related to an IMF Economic Structural Adjustment Program, that Robert Mugabe sought excessive control over Zimbabwe's institutions.

Finally, Botswana is often pointed to as Africa's "Big Miracle." There is much to applaud regarding Botswana's success. It has maintained high economic growth, adopted sound fiscal policies, and compared with many other African countries, has a longer history of pluralistic political institutions. However, this author would argue that Botswana in the 1970s and throughout most of the 1990s was in the same institutional situation as Zimbabwe in its early years of independence, that is, it had a mixed bag of inclusive and exclusive political institutions. It was not at all certain in these years that Botswana would be regarded as a "success story" by 2010. For beneath the facade of Botswana's successful political institutions today is a history, since independence, of single party dominance (BDP), government aversion to criticism, and an array of human rights abuses, particularly against the Botswana indigenous population (Hillbom, 2011). In fact, one could argue that Acemoglu and Robinson's praise of Botswana's "pluralistic, centralized" Tswana institutions masks a naïveté. These same institutions and the policies they have promoted, for example, the language policy of ensuring that only Setswana and English are to be taught in the schools (p. 412)—far from representing how "ordinary citizens [have] acquired real political power in Botswana and changed the way their society works" (p. 5)—support a "bureaucratic and cattle-keeping elite" and "the political, economic, and cultural status quo as established by the dominant ethnic group, the Tswana" (Cook and Sarkin,

2010, p. 458).

The book's conceptual ambiguity and selective historical analysis contribute to the disappointing policy advice provided at the end of the book. We are told that success happens for countries when they replace extractive institutions with inclusive ones. The process is not easy or automatic, but countries can start the path toward building inclusive institutions by avoiding the seduction of authoritarian growth, supporting foreign aid that empowers a broad, progressive coalition, and kick starting the process of empowerment through political centralization, the presence of civil society and an independent media (pp. 428-62).

These policy prescriptions are disappointing on a number of levels. The authors themselves acknowledge that their policy recommendations are cautious and limited, but they also fall prey to wishful thinking. It would be wonderful if existing flows of foreign aid could be used to "bring groups and leaders otherwise excluded from power into the decision-making process" (p. 455) in an effort to empower a broad segment of population, but how likely is such an outcome? If, as the authors point out, existing rulers fail to undertake the reform needed to build more inclusive institutions within conditional aid programs like the Millennium Challenge Account, would not these same leaders resist foreign aid that broadens anti-absolutist coalitions for the same reason, namely, such a change would undermine their hold on power?³

On the other hand, perhaps we can give the authors' prescriptions the benefit of the doubt since their effort at promoting inclusive institutions is undoubtedly commendable. Even so, the authors' inability to specify clear prescriptions is, from this reviewer's perspective, due in large part to their lack of courage in clarifying the end goal. What does an ideal state with inclusive political and economic institutions look like to Acemoglu and Robinson?

We get the sense that the authors are open to a variety of outcomes. An ideal state could model the democratic capitalism of the United States, the progressive democracy of Brazil, or the development-oriented, gate-keeping orientation of Botswana. However, most of the information provided in the book seems to suggest that Acemoglu and Robinson applaud states crafted in a democratic capitalist mold. Prosperity is often defined in terms of economic growth, forwarded by an embrace of innovation and entrepreneurship; democracy is understood to be the acquisition of civil and political liberties (witness the stories of the United States or Great Britain); and the contribution of external factors and structural violence to the benefit of colonizing states is neatly avoided. Such judgments

suggest a bias toward order, formal institutions and economic growth. Acknowledging this “ideal state,” whether one agrees with it or not, could clarify the policy prescriptions in the book. For if one advocates on behalf of democratic capitalism, then one can begin the conversation of *how* to build state capacity in such a context. Should policy makers concentrate on political system design (that is, experiments with various types of electoral systems or federalism), organizational design and management (i.e., the transferable knowledge in public administration), systemic institutional design (i.e., constitutional reform), cultural reform, or all of the above (Fukuyama, 2004)? These dimensions of policy reform, and many more, are left out of the book, to its detriment.

In conclusion, *Why Nations Fail* is a welcome addition to the bevy of books questioning why some states are rich and others poor. Its focus on institutions, history, and contingency helps broaden the conversation. However, the book’s lack of conceptual clarity and multitude of historical liberties mean there is plenty of room for improvement. The need for continued conversation on this important question continues, and, in a world where poverty and inequality remain, readers can be assured that more scholarship will surface to address this dilemma.

Endnotes

1. A few areas where Christians have been actively involved in building or strengthening inclusive political institutions are peacebuilding , for example, the work of Christian Peacemaker Teams, and justice promotion, for example, the work of the Association for a More Just Society. (Hoksbergen *et al.*, 2009, 33-34; Wolterstorff, 2010).
2. Those who have already reviewed *Why Nations Fail* have made similar points. See, for example, William Easterly’s or Francis Fukuyama’s online review.
3. Acemoglu and Robinson also fail to mention the countless examples of countries that have placed severe limits on foreign aid connected with political reform, even of the minimalist nature. See, for example, the events that have unfolded in Egypt over the last year (Stack, 2012).

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